

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2001-495-E - ORDER NO. 2002-4

JANUARY 9, 2002

IN RE: Application of Carolina Power & Light Company for Authority to Enter into Pollution Control Bond Refinancing.) ORDER GRANTING
) AUTHORITY TO ENTER
) INTO POLLUTION
) CONTROL BOND
) REFINANCING

This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (the Company), filed on December 11, 2001, requesting authority to enter into a pollution control bond refinancing.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorney is Len S. Anthony, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, and authorized to do business in South Carolina. Its principal office is located at 410 S. Wilmington Street, Raleigh, North Carolina, 27601. The Company is primarily engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at September 30, 2001, consisted of Common Stock with a stated value of \$1,786,079,000 and Preferred Stock with a stated value of \$59,334,000. As of September 30, 2001, the retained earnings of the Company were \$1,380,743,000.

The Company's existing long-term debt at September 30, 2001, including the current portion of long-term debt, consisted of principal amounts of \$2,513,770,000 in First Mortgage Bonds and \$1,236,730,000 in other long-term debt, including \$304,437,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by Douglas J. MacInnes, who presently is acting as Individual Trustee, as supplemented by seventy Supplemental Indentures (the "Mortgage").

3. The Company's capital requirements are projected to total approximately \$1,913,700,000 during the period 2001 through 2003.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to enter into a Loan Agreement with The Wake County Industrial Facilities and Pollution Control Financing Authority in Wake County, North Carolina (the "Wake Authority"), with such Loan Agreement to be substantially in the form of the draft Loan Agreement attached to the Company's Application as Exhibit A. Under the terms of the Loan Agreement with the Wake Authority, the Wake Authority will issue and sell one or more issues of Pollution Control Revenue Refunding Bonds

(Carolina Power & Light Company Project), Series 2002 in the aggregate principal amount of up to \$48,485,000 (the "Wake Refunding Bonds") in accordance with an Indenture of Trust between the Wake Authority and First Union National Bank, as Trustee, with such Indenture of Trust, to be substantially in the form of the draft Indenture of Trust attached to the Company's Application as Exhibit B. Such sale by the Wake Authority will be made in an underwritten public offering described in an Official Statement, with such Official Statement to be substantially in the form of the draft Official Statement attached to the Company's Application as Exhibit C. The Wake Refunding Bonds will mature no later than sixteen (16) years from the date of issuance, and will initially bear interest at a fixed rate with reference to market conditions.

5. The Refunding Bonds are expected to be secured by bond insurance, which will guarantee timely payment of the principal and interest to the bond holders. Additionally, the obligations of the Company under the Loan Agreement with the Wake Authority will initially be secured by one or more series of First Mortgage Bonds, such First Mortgage Bonds to be released and returned to the Company, to be replaced by unsecured Notes at the same time as the Company's previously issued "fall-away" First Mortgage Bonds become unsecured. (The Company issued "fall-away" First Mortgage Bonds as security for senior notes it issued on March 5, 1999 and April 11, 2000 and as security for its obligations with respect to certain other pollution control revenue refunding bonds issued on June 15, 2000 and July 13, 2000. Those senior notes and the Company's obligations with respect to those Bonds will become unsecured when the Company's other First Mortgage Bonds are retired.) The Company's First Mortgage Bonds will be created and issued under, and subject to, the provisions of the Company's

Mortgage, as heretofore supplemented and as to be further supplemented by Supplemental Indentures, substantially in the form attached to the Company's Application as Exhibit D, to be executed in connection with their issuance.

6. The Company's obligation to make the payments due under the Loan Agreement for principal and interest on the Bonds is absolute, irrevocable and unconditional. The Company estimates that it will incur expenses, including applicable call premiums, of approximately \$1,044,700, underwriters' fees of approximately \$387,900 and insurance premium expenses of approximately \$1,260,000 in connection with the transaction.

7. In the period from December 31, 2000, through September 30, 2001, the Company had a net increase in cash and cash equivalents of approximately \$9,655,000. Attached to the Company's Application as Exhibit E is a statement of such cash flows.

8. Pursuant to Order 91-72 in Docket No. 91-032-E the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company has responded to each of those questions as follows:

- a. The Company's Consolidated Financial Statements as of December 31, 2000, and Consolidated Interim Financial Statements as of September 30, 2001 are attached to the Company's Application as Exhibit F and Exhibit G respectively. Pro Forma financial statements showing the effect of the proposed pollution control bond refinancings are attached to the Company's Application as Exhibit H.
- b. The proceeds from the sale of the Wake Refunding Bonds will be loaned by the Wake Authority to the Company for the purpose of refinancing by

the payment or redemption, or provision therefor of the Wake Authority's Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Adjustable Rate Option Bond Series 1983. For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures is included with the Company's Application. The issuance of the Wake County Bonds was approved by this Commission in Docket No. 83-97-E for the purpose of financing or refinancing the construction and installation of certain pollution control facilities at the Company's Shearon Harris Plant in Wake County, North Carolina.

- c. If the authority to issue and sell additional long-term debt on the conditions set forth above is delayed or not granted, the Company's costs associated with the Wake County Bonds will continue to be at a higher interest rate than the Company expects to obtain for the Wake Refunding Bonds.
- d. The Wake Refunding Bonds will initially bear interest at a fixed rate with reference to market conditions.
- e. The issuance of long-term debt securities benefits the Company by enabling it to achieve the purposes set forth in paragraph (b) above. Information regarding the expected costs of the proposed long-term debt securities is provided above in paragraph 6.

- f. The impact of the proposed transaction on the Company's capital structure at September 30, 2001 is represented in the pro forma financial statements provided in Exhibit H to the Company's Application.
9. Approval of the Company's Application does not bind the Commission as to the ratemaking treatment of the contemplated issuance.
10. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the transaction or transactions herein proposed:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED THAT:

1. Carolina Power & Light Company be and hereby is authorized, empowered and permitted; (i) to enter into the proposed transaction pursuant to the terms and conditions described herein, and (ii) to execute, deliver, and carry out such

instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or transactions.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances.

3. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)